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C O N F I D E N T I A L SECTION 01 OF 03 MANILA 002596

SIPDIS

STATE FOR EAP/MTS

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TAGS: MARR MOPS PINS PREL PTER RP

SUBJECT: SCENESETTER FOR LTG FRASER'S VISIT TO THE PHILIPPINES

Classified By: Amb. Kristie A. Kenney, reasons 1.4 (b) and (d)

¶1. (C) SUMMARY: Welcome to the Philippines! You are coming to the Philippines at an important time. Our bilateral engagement remains strong with the Talon Vision/PHIBLEX exercise having recently concluded and planning for Balikatan 2009 in full swing. With U.S. assistance, the Philippine military continues to score successes against terrorists in the southern Philippines, while still focusing on modernization and reform. The Philippine government remains committed to a peace process with the Moro Islamic Liberation Front (MILF), despite the Supreme Court's ruling October 14 that a proposed territorial agreement was unconstitutional and attacks by rogue MILF commanders on civilians in August, which led to the current fighting in central Mindanao. The Philippine Armed Forces have driven rogue MILF fighters from villages they had illegally occupied, but thousands of villagers remain in internally displaced persons camps. The Mission continues to urge both sides to end the skirmishing, return villagers to their homes, and re-engage in peace talks. Human rights remains a concern. We press the government to fully investigate and prosecute any involvement of security forces, while providing training and assistance in this area. During your visit, you will be briefed by the Mission Country Team and meet with Philippine officials. You will fly to Zamboanga and spend two days with U.S. Joint Special Operations Task Force-Philippines personnel in Zamboanga and the Sulu Archipelago, and also visit the American Cemetery in Manila. END SUMMARY.

PHILIPPINES POLITICS

¶2. (C) President Gloria Macapagal Arroyo is a forceful politician who has faced a series of challenges to her rule, including unsuccessful impeachment efforts and low-level military coup attempts. She continues to attempt to initiate her political reform agenda while battling economic challenges. The President's political position improved last year after elections gave her allies a large majority in the House of Representatives, decreasing any real impeachment threat. However, opponents continue to agitate in the Congress and filed yet another impeachment complaint against Arroyo -- the fourth in as many years -- on October 13. Arroyo's term ends in 2010, and while several senators actively seek to weaken Arroyo, most are loath to have her impeached, lest it strengthen the hand of Vice President Noli de Castro, who has made his intent to run for the presidency no secret.

PEACE PROCESS ON HOLD

¶3. (C) President Arroyo's determined efforts to achieve peace in Mindanao suffered a major setback October 14, when the Supreme Court found the proposed memorandum of agreement on ancestral domain between the Philippine government and Moro Islamic Liberation Front (MILF) unconstitutional. The Supreme Court had issued a temporary restraining order against the signing of the agreement on August 4, sparking a series of attacks -- in violation of the ceasefire agreement -- by rogue MILF elements in several communities in central Mindanao in August. The attacks, and subsequent fighting with the military, have killed over 100 and displaced tens of thousands of civilians. The Philippine military has responded decisively but with discipline. The effectiveness of the Philippine forces has degraded the MILF's military capability, but the search for the MILF rogue commanders has not resulted in their capture. Meanwhile, thousands of civilians remain in inadequate temporary camps.

¶4. (C) The peace process remains stalled, but our wide soundings indicate that the government and top MILF leadership are committed to restarting negotiations -- perhaps as early as the new year -- if unsure of the exact way forward. Current government efforts are focused on carrying out basic discussions with key stakeholders in Mindanao, including Muslim and Christian religious leaders and groups, key national and provincial political figures, and civic and peace organizations. Embassy officials continue to underscore that a peaceful Mindanao is essential for a prosperous, unified Philippines, and that it is vital for the Philippine government and MILF to return as quickly as possible to the negotiating table, but that it is for

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Filipinos to determine the shape and terms of the peace accord.

COUNTERTERRORISM SUCCESSES

¶5. (C) Military forces and law enforcement officials continue to achieve important successes in counterterrorism efforts, with eight key terrorist leaders and over 200 other terrorism suspects killed or captured in the Philippines since August 2006. Most recently, top Jemaah Islamiyah facilitator Hajiruddin Dansalan was captured November 2 in Mindanao as the result of a combined Philippine operation supported by U.S. personnel. The operation was a clear example of the gains the Philippine forces have made over the last six years in utilizing the various assets of different security agencies to interdict terrorists.

¶6. (C) The U.S. is promoting a counterterrorism strategy that focuses on offering development opportunities in areas where the population is prone to terrorist recruitment, while separating the small numbers of terrorists primarily associated with the Abu Sayyaf Group and Jemaah Islamiyah from Muslim insurgents in the southern Philippines. Separately, the 5,000-strong Communist New People's Army (NPA) continues to disrupt public security and business operations with intermittent attacks throughout the Philippines, targeting local and foreign companies, communications networks, and transportation infrastructures. While the NPA continues to decline in personnel and effectiveness, it remains steadfast in its refusal to accept President Arroyo's broad amnesty overtures, turning down offers to negotiate unless its U.S. and international designation as a terrorist organization is rescinded.

CONTINUED ENGAGEMENT, AFP STAFFING A CHALLENGE

¶7. (C) Defense Secretary Teodoro and the other senior AFP officials remain strong allies on bilateral military

cooperation, and we expect you will have very positive discussions here regarding our excellent cooperation on Philippine defense reform and JSOTF's superb support for their AFP counterparts. The demands on the Philippine military led Secretary Teodoro to scale back some bilateral activities earlier this year. Talon Vision/Phiblex exercises were very successful, and U.S.-Philippine planners are working closely on Balikatan 2009 and the ASEAN Regional Forum Disaster Relief Exercise, scheduled to take place in the Philippines in April and May next year, respectively. We expect a continued increase in joint exercises and ship visits, and currently, the list of activities approved by our two governments consists of more than 200 bilateral military events. The demands on the AFP brought on by the fighting in Mindanao coupled with the increase in bilateral exercises over the last two years have strained the Philippine defense establishment's internal staffing, and we continue to work with them to help streamline diplomatic clearance approvals and other administrative processes.

¶8. (C) Secretary Teodoro is a staunch advocate of rapid reform (the Philippines spent nearly \$250 million on Philippine Defense Reform last year), and in his hands-on style, he postponed the annual Philippine Defense Reform review slated for October, as he was dissatisfied with the level of preparation by his team. Philippine defense purchases from the U.S. include more than 8,000 Harris radios, upgrades to existing helicopters, and radar stations as part of the Coast Watch South initiative in the southern Philippines. Nevertheless, the fighting in Mindanao has drained Philippine stocks of ammunition, weapons, and other equipment, prompting Teodoro to request that a portion of funds allocated for modernization this year be diverted towards logistics and materiel replenishment.

CONTINUED SENSITIVITY OVER U.S. MILITARY PRESENCE

¶9. (C) The United States enjoys strong military-military relations with the Philippines, but our presence here is under constant scrutiny. The Visiting Forces Agreement (VFA) was the subject of a joint hearing by the Congressional VFA oversight committee in September to investigate allegations

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that U.S. military forces in Mindanao were violating the VFA. At the September hearing and during an October follow-up visit to talk with U.S. forces in Zamboanga, key Philippine officials from every branch of government strongly rebutted the allegations and underscored the value of significant U.S. security and development assistance their areas receive. The intense focus on the VFA, along with media articles that routinely surface and contend that the U.S. seeks a permanent military presence here -- or even an independent Mindanao -- underscore the sensitivity surrounding the U.S.-Philippine military relationship at this time, and these issues will continue to resurface at regular intervals. All Mission elements continue to emphasize both in high-level discussions and public comments that the U.S. has no interest in bases or a permanent military presence in the Philippines.

HUMAN RIGHTS: COMBATING EXTRA-JUDICIAL KILLINGS

¶10. (C) President Arroyo consistently has expressed her commitment to resolving the complex and longstanding problem of extrajudicial killings and has taken steps in this direction. With increased domestic and international pressure, the number of extrajudicial killings decreased dramatically in 2007 and 2008, but more still needs to be done, and the Embassy continues to press the issue at the highest levels of the Philippine government. While many of these deaths and disappearances are more likely attributable to local disputes than to military or police action, it is

clear that the government needs to do more to ensure that these crimes are fully investigated and that responsible parties -- whether or not they are connected to military or police -- are brought to justice. The problem is closely related to frustration with a judicial system that is inefficient and strained beyond its capacity.

¶11. (C) The government has responded with a police task force to investigate the killings, and the government also rejuvenated the Presidential Committee on Human Rights, established an Armed Forces Human Rights office to investigate allegations, and allocated additional funding for the Commission on Human Rights. The Embassy has supported all of these activities with training, assistance, and expert exchanges and is looking to broaden our support to confronting extrajudicial killings with both Philippine military and police personnel.

ECONOMICS AND TRADE

¶12. (SBU) The U.S. is the Philippines' largest trading partner, with over \$17 billion in two-way trade in 2007. The U.S. is also the largest investor here, with \$6.6 billion in equity. After topping 7 percent in 2007, Philippine gross domestic product growth is expected to slow in 2008, to around 5 percent. The Philippine banking system is relatively sound and not heavily exposed to risks from current global financial turmoil. Nevertheless, Philippine companies already are announcing layoffs and economic pain from recession is mounting. If the global downturn is prolonged, the impact on poverty in the Philippines, where about half the population live on \$2/day or less, will be very important and could have serious implications for security policy.

KENNEY